


**Massachusetts Electric Company
Nantucket Electric Company**

**SERVICE QUALITY STANDARDS
REVISED COMPLIANCE FILING**

November 2, 2001

**Submitted to:
Massachusetts Department of
Telecommunications and Energy
Docket D.T.E. 99-74 & 01-71**

Submitted by:

Massachusetts Electric
A **National Grid** Company 

Nantucket Electric
A **National Grid** Company 

Massachusetts Electric

A National Grid Company



Amy G. Rabinowitz

Counsel

November 2, 2001

By Hand

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 01-71, Investigation by the Department of Telecommunications and Energy on its own motion, pursuant to G.L. c. 164, Sections 1E, 76 and 93, into the electric distribution companies' quality of electric service, including but not limited to their service quality filings, to be submitted in response to Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84, and D.T.E. 99-47.

Dear Secretary Cottrell:

On October 29, 2001, Massachusetts Electric Company and Nantucket Electric Company (collectively "Mass. Electric" or the "Company") filed a settlement agreement ("Settlement") jointly sponsored by the Associated Industries of Massachusetts ("AIM"), the Attorney General's office ("AG"), the Division of Energy Resources ("DOER"), The Energy Consortium ("TEC"), and the Company. The Settlement was designed to revise the service quality ("SQ") plan which was an integral part of the Company's long-term Rate Plan Settlement, dated November 29, 1999, approved in D.T.E. 99-47 ("Rate Plan Settlement"), relating to the merger of Eastern Edison Company into Mass. Electric, and to resolve all issues presented in the above proceedings. The Settlement was submitted for approval by the Department in dockets, D.T.E. 99-47, D.T.E. 99-84, and D.T.E. 01-71.

In a letter dated October 31, 2001, Hearing Officer Caroline O'Brien pointed out that the Department had directed the Company to file a SQ plan that complies with the Department's guidelines in D.T.E. 99-84. She noted that while the Department will consider the Company's Settlement regarding SQ standards, our October 29th filing does not comply with the guidelines and so is incomplete. She directed us to supplement our filing with an SQ plan that applies the guidelines established in D.T.E. 99-84. The footnote in her October 31st letter also referred to an October 22nd memorandum in which she directed the Company to file (1) a redline/strike-out version of our SQ plan

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comparing the actual plan to the guidelines, (2) the historical data for all SQ measures and reporting requirements including the data on which the benchmarks are established, and (3) detailed explanations of deviations in our proposed plan from the guidelines.

In response, Mass. Electric has prepared a SQ plan that fully complies with the guidelines. See Attachment 1. A redline/strike-out version comparing this plan to the guidelines is included as Attachment 2. The historical data for all SQ measures and reporting requirements including the data on which the benchmarks are established is included in Attachment 3. This attachment also includes calculations of the penalties that would have accrued in 2000 and an estimate of such penalties for 2001 (based on nine months of actual data and three months of estimated data) if the plan described in Attachment 1 had been in effect since May 1, 2000, the effective date of the Company's Rate Plan Settlement. Finally, explanations of the limited differences from the guidelines are contained in Attachment 4.¹

While the Company has complied with the Department's request in Attachments 1-4, the Company has had an approved SQ plan in effect since May 1, 2000, under which we are accruing certain penalties and incentives as described in our October 29th filing. This plan is an integral part of the Company's long-term Rate Plan Settlement. The parties to the Rate Plan Settlement and the Department took a leadership role in implementing the first SQ plan for electric distribution companies as part of a long-term rate stabilization plan, in which rates are frozen for five years and capped for another five years. We have been operating the business with the current SQ plan in mind, making both short- and long-term decisions to try to improve service quality in the key performance measures under the plan. We have accrued real penalties to date under this plan, estimated to be \$3 to \$5 million by year-end 2001.

Mass. Electric's Rate Plan Settlement, with rates frozen for five years and capped for another

¹The October 29th filing is in substantial compliance with the Department's order on the merits, although it was formatted differently than the guidelines. To illustrate substantial compliance with the guidelines, we have reformatted the SQ Plan in the Settlement to be consistent with the guidelines, shown in Attachment 5. A redline version is included in Attachment 6. For convenience, Mass. Electric is providing the original filing which contains the detailed explanations for differences in the plan, (Filing Letter, Attachment 7), settlement agreement (Attachment 8), original filed SQ plan (Attachment 9), and historical data (Attachment 10).

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five years, does allow Mass. Electric to adjust rates to account for factors beyond the Company's control, called Exogenous Factors. Rate Plan Settlement, pp. 10-16. The Rate Plan Settlement provides that "the effects of any legislative or regulatory changes which impose new or modify existing obligations or duties which individually affect Mass. Electric's costs by more than \$1.0 million per year" are an Exogenous Factor. In addition, the Rate Plan Settlement requires the Company to modify the SQ Plan under the Rate Plan Settlement in response to the outcome of the Department's generic performance based program docket, D.T.E. 99-84, and calls the modification an Exogenous Factor if the revised standards "would result in a significant difference in the balance of risks, costs and benefits set forth in [the Rate Plan Settlement]." Rate Plan Settlement, pp. 26-27. We believe that the implementation of the SQ plan contained in Attachment 1 would represent an Exogenous Factor under the Rate Plan Settlement and if necessary, we will propose a quantification of the Exogenous Factor adjustment. The Settlement avoids this issue entirely and includes a specific agreement by the Company to waive any rights to compensation for an Exogenous Factor arising from the adoption of the revised SQ plan.

Thank you very much for your time and attention to this filing. If you need any other additional information, please don't hesitate to contact me.

Very truly yours,

Amy G. Rabinowitz

cc: Service Lists D.T.E. 99-47, D.T.E. 99-84, D.T.E. 01-71

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